

PERAC AUDIT REPORT



Leominster Contributory Retirement System

JAN. 1, 2006 - DEC. 31, 2007



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

June 13, 2008

The Public Employee Retirement Administration Commission has completed an examination of the Leominster Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2006 to December 31, 2007. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There were no significant findings to report.

We commend the Leominster Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiner Richard Ackerson who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

AS OF DECEMBER 31,		
	2007	2006
Net Assets Available For Benefits:		
Cash	\$2,213	\$2,213
Short Term Investments	581,806	577,547
Pooled Domestic Equity Funds	4,388,053	4,395,492
Pooled International Equity Funds	15,290,254	12,908,198
Pooled Global Equity Funds	26,698,016	24,656,896
Pooled Domestic Fixed Income Funds	12,784,530	16,814,076
Pooled Alternative Investment Funds	5,759,498	4,265,689
PRIT Cash Fund	251,522	51,548
PRIT Core Fund	33,248,160	24,934,427
Interest Due and Accrued	452	259
Total	<u>\$99,004,504</u>	<u>\$88,606,344</u>
Fund Balances:		
Annuity Savings Fund	\$20,381,882	\$19,344,107
Annuity Reserve Fund	6,572,194	6,180,650
Pension Fund	6,985,377	6,970,574
Military Service Fund	29,731	28,527
Expense Fund	0	0
Pension Reserve Fund	65,035,320	56,082,486
Total	<u>\$99,004,504</u>	<u>\$88,606,344</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2005)	\$18,678,495	\$5,723,020	\$6,943,544	\$28,357	\$0	\$43,769,713	\$75,143,12
Receipts	2,193,587	179,469	5,537,420	170	271,494	12,231,744	20,413,883
Interfund Transfers	(1,166,125)	1,085,096	0	0	0	81,030	0
Disbursements	(361,849)	(806,935)	(5,510,390)	0	(271,494)	0	(6,950,668)
Ending Balance (2006)	19,344,107	6,180,650	6,970,574	28,527	0	56,082,486	88,606,344
Receipts	2,520,248	188,498	5,696,149	6,436	409,237	8,953,988	17,774,557
Interfund Transfers	(1,079,032)	1,085,417	0	(5,232)	0	(1,154)	(0)
Disbursements	(403,441)	(882,371)	(5,681,347)	0	(409,237)	0	(7,376,396)
Ending Balance (2007)	<u>\$20,381,882</u>	<u>\$6,572,194</u>	<u>\$6,985,377</u>	<u>\$29,731</u>	<u>\$0</u>	<u>\$65,035,320</u>	<u>\$99,004,504</u>

STATEMENT OF RECEIPTS

FOR THE PERIOD ENDING DECEMBER 31,		
	2007	2006
Annuity Savings Fund:		
Members Deductions	\$2,048,740	\$1,974,169
Transfers from Other Systems	318,465	90,875
Member Make Up Payments and Re-deposits	41,358	21,264
Member Payments from Rollovers	0	0
Investment Income Credited to Member Accounts	<u>111,685</u>	<u>107,278</u>
Sub Total	<u>2,520,248</u>	<u>2,193,587</u>
Annuity Reserve Fund:		
Investment Income Credited to the Annuity Reserve Fund	<u>188,498</u>	<u>179,469</u>
Pension Fund:		
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	129,051	182,148
	229,745	247,203
Pension Fund Appropriation	<u>5,337,353</u>	<u>5,108,069</u>
Sub Total	<u>5,696,149</u>	<u>5,537,420</u>
Military Service Fund:		
Contribution Received from Municipality on Account of Military Service	6,271	0
Investment Income Credited to the Military Service Fund	<u>165</u>	<u>170</u>
Sub Total	<u>6,436</u>	<u>170</u>
Expense Fund:		
Expense Fund Appropriation	0	0
Investment Income Credited to the Expense Fund	<u>409,237</u>	<u>271,494</u>
Sub Total	<u>409,237</u>	<u>271,494</u>
Pension Reserve Fund:		
Federal Grant Reimbursement	93,390	150,726
Pension Reserve Appropriation	0	0
Interest Not Refunded	4,051	3,745
Miscellaneous Income	0	1,686
Excess Investment Income	<u>8,856,547</u>	<u>12,075,587</u>
Sub Total	<u>8,953,988</u>	<u>12,231,744</u>
Total Receipts	<u><u>\$17,774,557</u></u>	<u><u>\$20,413,883</u></u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,		
	2007	2006
Annuity Savings Fund:		
Refunds to Members	\$182,013	\$204,254
Transfers to Other Systems	<u>221,428</u>	<u>157,596</u>
Sub Total	<u>403,441</u>	<u>361,849</u>
Annuity Reserve Fund:		
Annuities Paid	864,493	791,526
Option B Refunds	<u>17,878</u>	<u>15,409</u>
Sub Total	<u>882,371</u>	<u>806,935</u>
Pension Fund:		
Pensions Paid:		
Regular Pension Payments	3,920,702	3,714,550
Survivorship Payments	228,391	130,831
Ordinary Disability Payments	36,837	35,885
Accidental Disability Payments	922,138	996,014
Accidental Death Payments	158,593	176,682
Section 101 Benefits	47,951	89,269
3 (8) (c) Reimbursements to Other Systems	139,300	122,516
State Reimbursable COLA's Paid	206,947	223,282
Chapter 389 Beneficiary Increase Paid	<u>20,487</u>	<u>21,361</u>
Sub Total	<u>5,681,347</u>	<u>5,510,390</u>
Military Service Fund:		
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>
Expense Fund:		
Board Member Stipend	15,000	15,000
Salaries	70,522	63,956
Legal Expenses	0	0
Medical Expenses	0	0
Travel Expenses	1,039	418
Administrative Expenses	10,603	6,903
Furniture and Equipment	15,495	7,557
Management Fees	266,940	143,359
Custodial Fees	14,815	16,309
Consultant Fees	9,600	13,225
Rent Expenses	0	0
Service Contracts	0	0
Fiduciary Insurance	<u>5,223</u>	<u>4,768</u>
Sub Total	<u>409,237</u>	<u>271,494</u>
Total Disbursements	<u>\$7,376,396</u>	<u>\$6,950,668</u>

INVESTMENT INCOME

FOR THE PERIOD ENDING DECEMBER 31,		
	2007	2006
Investment Income Received From:		
Cash	\$0	\$0
Short Term Investments	74,349	73,558
Fixed Income	0	0
Equities	0	0
Pooled or Mutual Funds	8,244,483	3,916,396
Commission Recapture	0	0
Total Investment Income	<u>8,318,832</u>	<u>3,989,955</u>
Plus:		
Realized Gains	3,199,603	1,724,307
Unrealized Gains	12,373,890	12,274,847
Interest Due and Accrued on Fixed Income Securities - Current Year	452	259
Sub Total	<u>15,573,945</u>	<u>13,999,412</u>
Less:		
Paid Accrued Interest on Fixed Income Securities	0	0
Realized Loss	(1,331,674)	(802,093)
Unrealized Loss	(12,994,711)	(4,553,155)
Interest Due and Accrued on Fixed Income Securities - Prior Year	(259)	(120)
Sub Total	<u>(14,326,644)</u>	<u>(5,355,368)</u>
Net Investment Income	<u>9,566,132</u>	<u>12,633,998</u>
Income Required:		
Annuity Savings Fund	111,685	107,278
Annuity Reserve Fund	188,498	179,469
Military Service Fund	165	170
Expense Fund	409,237	271,494
Total Income Required	<u>709,585</u>	<u>558,411</u>
Net Investment Income	<u>9,566,132</u>	<u>12,633,998</u>
Less: Total Income Required	<u>709,585</u>	<u>558,411</u>
Excess Income To The Pension Reserve Fund	<u>\$8,856,547</u>	<u>\$12,075,587</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2007			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$2,213	0.0%	
Short Term	581,806	0.6%	
Pooled Domestic Equity Funds	4,388,053	4.4%	50%*
Pooled International Equity Funds	15,290,254	15.4%	10%
Pooled Global Equity Funds	26,698,016	27.0%	
Pooled Domestic Fixed Income Funds	12,784,530	12.9%	
Pooled Alternative Investment Funds	5,759,498	5.8%	
PRIT Cash Fund	251,522	0.3%	
PRIT Core Fund	33,248,160	33.6%	
Grand Total	\$99,004,052	100.0%	

* Total Equity Funds

For the year ending December 31, 2006, the rate of return for the investments of the Leominster Retirement System was 16.63%. For the five-year period ending December 31, 2006, the rate of return for the investments of the Leominster Retirement System averaged 9.74%. For the 22-year period ending December 31, 2006, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Leominster Retirement System was 9.85%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Leominster Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

April 9, 1996

20.03(1) Equity investments shall not exceed 50% of the portfolio valued at market, including international equities, which shall not exceed 10% of the portfolio valued at market.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Leominster Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$667.92 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Leominster Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

September 23, 1996

The clothing allowance for both police and fire personnel is to be considered regular compensation.

January 6, 1995

Effective October 29, 1989 the regular types of titled specialty pay in the police department is deemed to be regular compensation:

CPR, Suicide, and Breathalyzer Operator pay.

March 5, 1991

Employees appointed to positions must become members upon their effective date of paid employment.

November 30, 1987

The Leominster Retirement Board will not allow creditable service make-up for performed services of under six (6) months duration from another jurisdiction.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the City Comptroller who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: John J. Richard

Appointed Member: David R. Laplante Term Expires: 11/17/08

Elected Member: John F. Picone Term Expires: 06/30/10

Elected Member: Paul Doig Term Expires: 01/01/09

Appointed Member: Aldo Mazzaferro Term Expires: 01/03/09

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex-officio Member:)	\$50,000,000 Fiduciary
Elected Member:)	\$1,000,000 Fidelity
Appointed Member:)	Travelers Insurance
Staff Employee:)	MACRS Policy

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2007.

The actuarial liability for active members was	\$54,209,277
The actuarial liability for retired and inactive members was	<u>57,543,168</u>
The total actuarial liability was	111,752,445
System assets as of that date were	<u>88,606,344</u>
 The unfunded actuarial liability was	 <u>\$23,146,101</u>
The ratio of system's assets to total actuarial liability was	79.3%
As of that date the total covered employee payroll was	\$22,775,233

The normal cost for employees on that date was 8.60% of payroll

The normal cost for the employer was 4.20% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum
 Rate of Salary Increase: 4.75% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2007

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2007	\$88,606,000	\$111,752,000	\$23,146,000	79.3%	\$22,775,000	101.6%
1/1/2006	\$75,143,000	\$101,959,000	\$26,816,000	73.7%	\$22,109,000	121.3%
1/1/2004	\$62,214,000	\$92,559,000	\$30,345,000	67.2%	\$20,658,000	146.9%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Retirement in Past Years										
Superannuation	13	22	19	6	17	19	15	11	17	16
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	1	0	0	0	0	1	2	0	1	2
Total Retirements	14	22	19	6	17	20	17	11	18	18
Total Retirees, Beneficiaries and Survivors	342	359	366	358	362	370	374	362	367	371
Total Active Members	593	588	594	630	607	615	623	678	638	635
Pension Payments										
Superannuation	\$1,971,279	\$2,182,929	\$2,422,846	\$2,516,769	\$2,695,790	\$2,973,642	\$3,308,989	\$3,530,597	\$3,714,550	\$3,920,702
Survivor/Beneficiary Payments	105,819	106,567	155,788	160,169	154,590	156,354	174,927	185,930	130,831	228,391
Ordinary Disability	28,625	34,346	30,561	31,077	38,169	33,066	33,999	34,939	35,885	36,837
Accidental Disability	680,046	700,189	688,589	689,606	693,112	708,303	811,802	838,926	996,014	922,138
Other	522,241	534,621	579,552	619,599	593,603	601,812	581,169	550,574	633,110	573,278
Total Payments for Year	<u>\$3,308,010</u>	<u>\$3,558,652</u>	<u>\$3,877,336</u>	<u>\$4,017,219</u>	<u>\$4,175,264</u>	<u>\$4,473,178</u>	<u>\$4,910,887</u>	<u>\$5,140,966</u>	<u>\$5,510,390</u>	<u>\$5,681,347</u>

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